

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Charter Township of Milford Library	County Oakland
Audit Date December 31, 2005	Opinion Date February 1, 2006	Date Accountant Report Submitted To State: June 6, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Milford Library

Financial Report
December 31, 2005

Charter Township of Milford Library

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Independent Auditor's Report

To the Library Board
Charter Township of Milford Library
Oakland County, Michigan

We have audited the accompanying basic financial statements of the Charter Township of Milford Library as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Milford Library as of December 31, 2005 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

February 1, 2006



A worldwide association of independent accounting firms

Charter Township of Milford Library

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Milford Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis, which provides both long- and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Charter Township of Milford Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table below shows key financial information in a condensed format for the government-wide statement of net assets and the statement of activities:

	<u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 1,544,385	\$ 1,547,631
Capital assets - Net	<u>1,235,543</u>	<u>1,406,410</u>
Total assets	2,779,928	2,954,041
Liabilities		
Accounts payable	10,552	54,735
Other liabilities	<u>1,018,851</u>	<u>956,209</u>
Total liabilities	<u>1,029,403</u>	<u>1,010,944</u>
Net Assets		
Invested in capital assets	1,235,543	1,406,410
Restricted for endowment	189,829	187,235
Unrestricted	<u>325,153</u>	<u>349,452</u>
Total net assets	<u>\$ 1,750,525</u>	<u>\$ 1,943,097</u>
Revenue		
Property taxes	\$ 947,552	\$ 866,755
Other	<u>113,564</u>	<u>87,986</u>
Total revenue	1,061,116	954,741
Expenses - Library services	<u>1,253,688</u>	<u>1,231,101</u>
Change in Net Assets	<u>\$ (192,572)</u>	<u>\$ (276,360)</u>

Charter Township of Milford Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- The Library reports net assets of \$1,750,525 this year on a full accrual basis, as compared to fund balance of \$514,982 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2005, total tax collections were \$947,552. This represents approximately 89 percent of total revenue.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For 2005, this expenditure was \$678,218, representing approximately 63 percent of the Library's total expenditures.
- Total expenditures for the entire year under the modified accrual basis of accounting were \$1,082,821.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense, is reflected in the statement of activities on page 8 of this financial report.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Library's only fund is the General Fund.

- The fund balance of the General Fund decreased by \$21,705 for the year. This represents amounts booked to cover necessary repairs and maintenance during the year, utility costs, and increasing insurance costs.
- The Library board has designated funds to help manage money for specific purposes, such as maintaining current service levels for the 2006 fiscal year and obtaining upgrades to workstations.

Charter Township of Milford Library

Management's Discussion and Analysis (Continued)

Library Budgetary Highlights

Over the course of the year, the Library board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in interest on investments, other income, salaries and wages, benefits, repairs and maintenance, and utilities. The following is a summary of significant budgetary highlights:

- Interest on investments was increased due to economic factors.
- Other income was increased due to a change in how the Library receives Universal Service Fund refunds from The Library Network (TLN). In previous years, the Library received a credit from TLN to be used toward services provided. In 2005, the Library received a refund check.
- The decrease in the budgeted amount for salaries and wages was the result of staffing changes, as several staff resigned during the year, and there was a lag time before replacements were found. This also affected the benefits budget, which was reduced as well.
- Repairs and maintenance was revised slightly to account for some improvements to the HVAC system as well as higher costs than anticipated for snow removal.
- The utility expense budgeted was increased due to greater utility usage than originally expected and greater utility costs.

Capital Assets and Debt Administration

At the end of the year, the Library had approximately \$1.2 million invested in land, furniture, equipment, and books and materials. In 2005, the Library added approximately \$62,000 in new collection items consisting mainly of books, video materials, audio books, and music CDs.

It should be noted that the Library building itself is an asset of the Charter Township of Milford, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt.

Charter Township of Milford Library

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget and Rates

The Library's budget for the 2006 fiscal year increased modestly from 2005. Property taxes were budgeted for an increase, penal fines continue to be budgeted by the best judgment of the Library, and state aid revenue could be less due to the State's financial constraints. Expenditures were increased to account for increased staffing and benefit costs, as well as for the purchase of books and audiovisual materials. Most line items are consistent with previous budget years.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Tina Hatch, at (248) 684-0845 extension 101 or via email at thatch@milfordlibrary.info.

Charter Township of Milford Library

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2005

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 5)	\$ 524,079	\$ -	\$ 524,079
Property taxes receivable	592,849	-	592,849
Due from other governmental units	427,457	-	427,457
Capital assets (Note 6):			
Capital assets not being depreciated	-	57,035	57,035
Capital assets being depreciated - Net	-	1,178,508	1,178,508
Total assets	<u>\$ 1,544,385</u>	1,235,543	2,779,928
Liabilities and Fund Balance			
Liabilities			
Accounts payable and other	\$ 10,552	-	10,552
Deferred revenue	1,018,851	-	1,018,851
Total liabilities	1,029,403	-	1,029,403
Fund Balance			
Reserved for endowment	189,829	(189,829)	-
Reserved for tax appeals	20,000	(20,000)	-
Unreserved:			
Designated for subsequent year's budget	62,000	(62,000)	-
Designated for technology improvements	13,000	(13,000)	-
Undesignated	230,153	(230,153)	-
Total fund balance	<u>514,982</u>	<u>(514,982)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,544,385</u>		
Net Assets			
Invested in capital assets		1,235,543	1,235,543
Restricted for endowment		189,829	189,829
Unrestricted		325,153	325,153
Total net assets		<u>\$ 1,750,525</u>	<u>\$ 1,750,525</u>

Charter Township of Milford Library

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2005

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Current and delinquent property tax	\$ 911,466	\$ -	\$ 911,466
Industrial facilities tax	36,086	-	36,086
Single business tax	1,454	-	1,454
Charges for service - Sales	3,587	-	3,587
State aid	22,100	-	22,100
Gifts, memorials, and other	16,908	-	16,908
Book fines	20,707	-	20,707
Penal fines	20,409	-	20,409
Interest on investments	26,599	-	26,599
Service charge	1,800	-	1,800
Total revenue	1,061,116	-	1,061,116
Expenditures			
Salaries	550,945	-	550,945
Payroll taxes	41,931	-	41,931
Employee benefits	85,342	-	85,342
Supplies	13,678	(1,273)	12,405
Contracted services	26,865	-	26,865
The Library Network	48,984	-	48,984
Communications	5,432	-	5,432
Memberships, dues, and travel	3,227	-	3,227
Advertising and promotion	9,130	-	9,130
Postage	1,944	-	1,944
Insurance	26,233	-	26,233
Utilities	90,447	-	90,447
Repairs and maintenance	87,661	(1,126)	86,535
Books	41,762	(30,534)	11,228
Periodicals	10,786	-	10,786
Audio/Visual	21,020	(20,321)	699
Electronic resources	1,450	-	1,450
Capital outlay	8,661	(7,824)	837
Depreciation	-	232,573	232,573
Community promotion	2,878	-	2,878
In-service training	286	-	286
Refunds and rebates	93	-	93
Miscellaneous	4,066	(628)	3,438
Total expenditures	1,082,821	170,867	1,253,688
Excess of Expenditures Over Revenue/Change in Net Assets	(21,705)	(170,867)	(192,572)
Fund Balance/Net Assets - Beginning of year	536,687	1,406,410	1,943,097
Fund Balance/Net Assets - End of year	<u>\$ 514,982</u>	<u>\$ 1,235,543</u>	<u>\$ 1,750,525</u>

Charter Township of Milford Library

Budgetary Comparison Statement Governmental Fund Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Current and delinquent property tax	\$ 910,000	\$ 910,000	\$ 911,466	\$ 1,466
Industrial facilities tax	36,600	36,080	36,086	6
Single business tax	1,450	1,450	1,454	4
Charges for service - Sales	5,000	3,400	3,587	187
State aid	13,000	13,000	22,100	9,100
Gifts, memorials, and other	7,000	14,127	16,908	2,781
Book fines	18,000	20,000	20,707	707
Penal fines	20,000	20,000	20,409	409
Interest on investments	12,000	25,644	26,599	955
Service charge	2,250	1,700	1,800	100
Total revenue	1,025,300	1,045,401	1,061,116	15,715
Expenditures				
Salaries	591,000	564,900	550,945	13,955
Payroll taxes	45,220	45,220	41,931	3,289
Employee benefits	93,960	91,410	85,342	6,068
Supplies	15,000	14,100	13,678	422
Contracted services	25,550	28,550	26,865	1,685
The Library Network	45,370	49,470	48,984	486
Communications	4,900	5,500	5,432	68
Memberships, dues, and travel	3,050	3,650	3,227	423
Advertising and promotion	6,300	9,300	9,130	170
Postage	2,080	2,263	1,944	319
Insurance	24,500	26,350	26,233	117
Utilities	80,000	91,350	90,447	903
Repairs and maintenance	73,700	91,747	87,661	4,086
Books	45,250	50,350	41,762	8,588
Periodicals	15,000	11,000	10,786	214
Audio/Visual	19,100	21,744	21,020	724
Electronic resources	1,300	3,100	1,450	1,650
Rent	10	10	-	10
Capital outlay	8,750	9,750	8,661	1,089
Community promotion	1,900	4,127	2,878	1,249
In-service training	2,000	2,000	286	1,714
Refunds and rebates	30	180	93	87
Miscellaneous	7,030	5,030	4,066	964
Total expenditures	1,111,000	1,131,101	1,082,821	48,280
Excess of Expenditures Over Revenues	(85,700)	(85,700)	(21,705)	63,995
Fund Balance - Beginning of year	536,687	536,687	536,687	-
Fund Balance - End of year	<u>\$ 450,987</u>	<u>\$ 450,987</u>	<u>\$ 514,982</u>	<u>\$ 63,995</u>

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Milford Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library is governed by an elected six-member board. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

The accounts of the Library are organized on the basis of a fund type which is considered a separate accounting entity. Currently, the only fund of the Library is the General Fund, which is a generic fund type in the broad category referred to as governmental funds. General Fund activities are financed primarily by revenue from general property taxes.

Basis of Accounting

The Library utilizes the following modified accrual basis of accounting policies:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the Library are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Deferred revenue in the General Fund of \$1,018,851 represents property taxes that were levied December 1, 2005 and will be available to finance operations of the Library in 2006.

- b. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

Property taxes for the Library are assessed to the residents of Milford Township. The 2004 taxable valuation of the Township totaled approximately \$804,046,000, on which ad valorem taxes levied consisted of 1.1447 mills for Library operating purposes. This resulted in approximately \$920,000 for operating.

Capital Assets - Capital assets are defined by the Library as individual assets with an initial cost of more than \$500, several similar assets with a combined initial cost of more than \$1,000, or items which do not fall under the previously mentioned criteria, but are mobile and/or highly susceptible to theft with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	3-10 years
Library books and audiovisual materials	10 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 2 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from the net assets and change in net assets of the Library's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental revenue, expenditures, and changes in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Fund Balance - General Fund - Modified Accrual Basis	\$ 514,982
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Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>1,235,543</u>
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Net Assets - Full Accrual Basis	<u>\$ 1,750,525</u>
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Change in Fund Balance - Modified Accrual Basis	\$ (21,705)
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Amounts reported in the statement of activities are different
because:

Depreciation is recorded as an expense in the statement of net assets	(232,573)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance	<u>61,706</u>
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Change in Net Assets - Full Accrual Basis	<u>\$ (192,572)</u>
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Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 3 - Lease Agreement

During the year ended December 31, 2003, the Library moved to a new facility. The new facility was built primarily from the proceeds of bonds issued by the Township of Milford. The principal and interest on the bonds are being paid by the Township from a voted millage. The portion of the bonded debt relating to the Library facility is \$6,075,000.

During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Township for the building and the grounds on which the Library is located. Under the terms of the 30-year agreement for the building and 90-year agreement for the grounds, rent under each lease is \$1 per year. The Township will retain all ownership rights of the Library building.

During the year ended December 31, 2005, the Township of Milford issued general obligation bonds with an average interest rate of 3.98 percent. Proceeds from these bonds were used to advance refund the bonded debt related to the Library facility, previously discussed, with an average interest rate of 5.09 percent. As a result, the bonds are considered to be defeased. The advance refunding reduced total debt service payments by approximately \$330,000, which represents an economic gain of approximately \$184,000. This will reduce the future debt millage rate as a result of the change in debt repayment schedule.

Note 4 - Budget Information

The annual budget is prepared by the Library director and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Library board is included in the basic financial statements.

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 5 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all State statutory authority investments as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. The Library's deposits are administered by the Charter Township of Milford (the "Township") and are held in separate accounts in the name of the Township. The federal depository insurance coverage pertains to all the deposits of the Township; hence, the specific coverage pertaining to the Library's deposits, if any, is not determinable. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 5 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 241,000	Not rated	N/A

Note 6 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated - Land	\$ 57,035	\$ -	\$ -	\$ 57,035
Capital assets being depreciated:				
Furniture, fixtures, and equipment	798,440	10,851	-	809,291
Library books and audiovisual materials	<u>984,425</u>	<u>50,855</u>	<u>-</u>	<u>1,035,280</u>
Subtotal	1,782,865	61,706	-	1,844,571
Accumulated depreciation:				
Furniture, fixtures, and equipment	220,176	100,985	-	321,161
Library books and audiovisual materials	<u>213,314</u>	<u>131,588</u>	<u>-</u>	<u>344,902</u>
Subtotal	<u>433,490</u>	<u>232,573</u>	<u>-</u>	<u>666,063</u>
Net capital assets being depreciated	<u>1,349,375</u>	<u>(170,867)</u>	<u>-</u>	<u>1,178,508</u>
Net capital assets	<u>\$ 1,406,410</u>	<u>\$ (170,867)</u>	<u>\$ -</u>	<u>\$ 1,235,543</u>

Charter Township of Milford Library

Notes to Financial Statements December 31, 2005

Note 7 - Simplified Employee Pension Plan

The Library provides pension benefits to all of its employees through a simplified employee pension plan. In a simplified employee pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three years of service with the Library. As established by the Library's board, the Library contributes 5 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$17,852 during the current year.

The Library's contributions for each employee are fully vested immediately.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims.

Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.